

Message

From: Alex Mashinsky [alex@celsius.network]
on behalf of Alex Mashinsky <alex@celsius.network> [alex@celsius.network]
Sent: 3/7/2021 11:50:36 PM
To: Harumi Urata-Thompson [harumi@celsius.network]; Patrick Holert [patrick.holert@celsius.network]; Alex Mashinsky [alex@celsius.network]
Subject: What we earn vs what we spend - failure in accounting and risk mgm.

In Jan + Feb we used 931 BTC to buy rewards in CEL on Liquid, during the same period we earned only 493 BTC as interest income from institutions. We lost 438 BTC in these two months

We have 15,841 BTC with EFH + 15,273 BTC with Tether, these coins pay interest to the community but are used as collateral for USD/USDT loans.
 For both of these we borrowed close to \$1B in stable coins and cash which earns yield in DeFi and institutional lending.

How much did we earn on these borrowed USD & USDT ? the dollar based income has to cover the BTC yield the collateral generates for the community (about 130 BTC a month) so the total owed is $438 + 260 = 698$ BTC just for Jan + Feb.

During the same Jan/Feb period BTC was up 76% so whatever we earned on USDT using 150% BTC collateral was much less than what we had to pay our community in BTC - **if we bought BTC with our USD earnings every day it would not be a problem but since we did not we lost \$164m in the process...**

Since we did not buy any BTC with our USD earnings and the fact that we provide 150% collateral makes the amount owed and not earned to our community much larger than you think.

This is a complete breakdown of risk management and accounting of what we do. It tells me you do not understand our business and the coin denominated accounting we must do. We need to think in terms of BTC exposure on all transactions we create.

You stopped doing AUM sheet reconciliations or risk exposure the day Asaf left. and the problem started to accumulate steam. Bitcoin is up 340% during the same period and it may be over 100k in just a few weeks.

We are a crypto denominated company yet you measure all your numbers in dollars. We need to have a daily coin based P&L which tells us if we got the math right or wrong, if we can not make a small **COIN profit** every day on our AUM then we will not make it up in volume over time.

As discussed we will be appointing a new risk officer on March 15 and new CFO to manage all these issues going forward. Please prepare & start your transition of risk and accounting responsibilities ASAP.

Harumi, I need you to focus on your task as CIO and identify and fix all these issues ASAP. I want to know every day how many BTC & ETH coins you bought and what net P&L you had for the day. I understand this will take some time to get perfect so use estimates until you have a complete model you can rely on.

Every day we must go to sleep knowing 1000% we have more BTC and ETH we owe our community.

Alex Mashinsky
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